

CIA INTERNAL USE ONLY

MEMORANDUM FOR: Legislative Counsel

SUBJECT: H.R. 5204, A bill relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories

1. It is our understanding that the State of Maryland and the District of Columbia are actively interested in tightening revenue controls, and, as a consequence, favorable consideration might be given to the passage and local implementation of the subject bill, or a comparable measure. H.R. 5204 authorizes the Secretary of the Treasury to enter into agreements with state and local jurisdictions for the withholding by Federal agencies of State and local income taxes from the salaries of civilian employees.

2. Within the Agency, the Offices immediately concerned would be the Offices of the Comptroller and Security, upon whom would primarily fall the respective burdens of administering a withholding program and of determining a secure procedure for withholding and reporting tax deductions. However, the impact of such a program on employee morale and security problems involved are matters of interest to the Office of Personnel and the Agency generally.

3. The following situations represent some of the complexities which would probably be created by the enactment of this legislation and the imposition of its requirements upon CIA:

a. The determination, listing and external reporting of Agency employees situated in local jurisdictional areas, for withholding tax purposes. (This is administratively complicated because of the fluidity of the metropolitan population, due to changes in assignments, etc., and poses security problems.)

b. Creation of additional administrative burdens on the Comptroller's Office.


4. Moreover, a frequently debated issue is the jurisdictional basis for levying income taxes locally. The State of Maryland has

*nothing pending on this or comparable bills, may 55*

advocated and enforced its belief that the situs where the income is earned establishes jurisdiction. The language of H.R. 5204 could possibly cause litigation on this issue, and create problems of tax liability based on domicile and situs of employment.

5. If you have not already done so, it is suggested that you solicit the views of the Offices of the Comptroller and Security on the subject bill. This Office would appreciate being advised if there is any prospect that favorable consideration will be given the proposal by Congress.

STATINTL



Harrison G. Reynolds  
Director of Personnel

NOTICE OF PENDING LEGISLATION		DATE 16 May 1955
		LEGISLATIVE BILL NO. H. R. 5204
SECTION I GENERAL		
TO : <b>Comptroller Director of Security</b>		FROM: LEGISLATIVE COUNSEL OFFICE OF GENERAL COUNSEL
THE ATTACHED BILL, WHICH HAS BEEN INTRODUCED INTO CONGRESS, IS:		
<input type="checkbox"/> SENT TO YOU FOR INFORMATION ONLY.		
<input type="checkbox"/> A BILL ON WHICH FAVORABLE CONGRESSIONAL ACTION: <input type="checkbox"/> IS <input type="checkbox"/> IS NOT PREDICTED.		
<input type="checkbox"/> SENT FOR YOUR COMMENT AS TO WHETHER IT IS OF INTEREST TO CIA ACTIVITIES, AND WHETHER FURTHER ACTION BY THIS OFFICE IS NECESSARY OR DESIRED.		
<div style="border: 1px solid black; padding: 5px;">         IT IS REQUESTED THAT COMMENTS CONCERNING THIS LEGISLATION BE FORWARDED, THROUGH APPROPRIATE CHANNELS, TO THIS OFFICE, BY _____       </div>		
SECTION II COMMENTS (From Original Addressee)		
TO : LEGISLATIVE COUNSEL OFFICE OF GENERAL COUNSEL		FROM: Comptroller
<p>I think it is needless for me to say that if this proposed legislation were enacted into law, an exception will be required either in the legislation or by an agreement with the Treasury Department if the latter can be effected and made binding.</p> <p>We do have an informal understanding now with the Bureau of the Budget and Bureau of Internal Revenue that the salary income of CIA employees will not be reported to States and other Governmental units.</p> <p style="text-align: center; font-size: 2em; transform: rotate(-15deg);"><i>Watch</i></p>		
DATE OF COMMENTS 24 May 1955		EXTENSION
Approved For Release 2002/01/02 : 20001-7 E. R. Saunders, Comptroller		

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Approved For Release 2002/01/02 : CIA-RDP59-00224A000200420001-7  
UNCLASSIFIED CONFIDENTIAL SECRET  
(SENDER WILL CIRCLE CLASSIFICATION TOP AND BOTTOM)

CENTRAL INTELLIGENCE AGENCY  
OFFICIAL ROUTING SLIP

TO		INITIALS	DATE
1	Deputy Director (Support)		
2	Legislative Counsel		
3			
4			
5			
FROM		INITIALS	DATE
1	Comptroller		5/24/55
2			
3			

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<input type="checkbox"/> APPROVAL	<input type="checkbox"/> INFORMATION	<input type="checkbox"/> SIGNATURE
<input type="checkbox"/> ACTION	<input type="checkbox"/> DIRECT REPLY	<input type="checkbox"/> RETURN
<input type="checkbox"/> COMMENT	<input type="checkbox"/> PREPARATION OF REPLY	<input type="checkbox"/> DISPATCH
<input type="checkbox"/> CONCURRENCE	<input type="checkbox"/> RECOMMENDATION	<input type="checkbox"/> FILE

Remarks:

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SECRET CONFIDENTIAL UNCLASSIFIED

NOTICE OF PENDING LEGISLATION		DATE
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SECTION I		GENERAL
TO :		FROM: LEGISLATIVE COUNSEL OFFICE OF GENERAL COUNSEL
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SECTION II		COMMENTS (From Original Addressee)
TO : LEGISLATIVE COUNSEL OFFICE OF GENERAL COUNSEL		FROM:
24 March 1955		84/1
Mr. Ashley of Ohio		
Relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories.		
Distribution:		
2 - Personnel, [REDACTED] 1 April 1955		
<div style="text-align: right;">5 April 55</div>		
1 - Mr. [REDACTED] ✓ Bdz		
1 - Director of Security - 16 May 55		
1 - Comptroller		
DATE OF COMMENTS	SIGNATURE AND TITLE	EXTENSION
Approved For Release 2002/01/02 : CIA-RDP59-00224A000200420001-7		

84TH CONGRESS  
1ST SESSION

# H. R. 5204

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1955

Mr. ASHLEY introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

Relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the first section of the Act entitled "An Act relating  
4       to withholding, for State income tax purposes, on the com-  
5       pensation of Federal employees", approved July 17, 1952  
6       (Public Law 587, Eighty-second Congress; 5 U. S. C., sec.  
7       84b), is hereby amended to read as follows: "That where—  
8                “(1) the law of any State or Territory, or of any  
9       incorporated political subdivision thereof with a popu-  
10      lation (according to the last decennial census) of seventy-

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1 five thousand or more persons, provides for the collec-  
2 tion of a tax by imposing upon employers generally the  
3 duty of withholding sums from the compensation of  
4 employees and making returns of such sums to the  
5 authorities of such State, Territory, or political subdivi-  
6 sion; and

7 “(2) such duty to withhold is imposed generally  
8 with respect to the compensation of employees who are  
9 residents of such State, Territory, or political subdivision,  
10 then the Secretary of the Treasury, pursuant to regulations  
11 promulgated by the President, is authorized and directed to  
12 enter into an agreement with such State, Territory, or politi-  
13 cal subdivision, within one hundred and twenty days of the  
14 request for agreement from the proper official of such State,  
15 Territory, or political subdivision. Such agreement shall  
16 provide that the head of each department or agency of the  
17 United States shall comply with the requirements of such law  
18 in the case of employees of such agency or department who  
19 are subject to such tax and whose regular place of Federal  
20 employment is within the State or Territory (or, in the case  
21 of an agreement with a political subdivision, within such  
22 subdivision or within twenty-five miles of the boundaries

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1 thereof) with which such agreement is entered into. No such  
2 agreement shall apply with respect to compensation for  
3 service as a member of the Armed Forces of the United  
4 States.”



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84TH CONGRESS  
1ST SESSION

**H. R. 5204**

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**A BILL**

Relating to withholding on the compensation  
of Federal employees for purposes of the  
income taxes imposed by certain incorpo-  
rated political subdivisions of States and  
Territories.

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By Mr. **ASHLEY**

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MARCH 24, 1955

Referred to the Committee on Ways and Means

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